

# Unterberg Harris

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FEDERAL COMMUNICATIONS COMMISSION  
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July 21, 1994

**BY HAND**

Mr. William F. Caton

Acting Secretary

Federal Communications Commission

1919 M Street, Room 222

Washington D.C. 20554

RE: ET Docket No. 93-266, PP Docket No. 93-253  
Ex Parte Presentation

Dear Mr. Caton:

In accordance with Section 1.1206(a)(1) of the Commission's rules, attached are two copies of an ex parte letter submitted today for inclusion in the above-referenced dockets.

Should you have any questions concerning this matter, please do not hesitate to contact the undersigned directly.

Sincerely,

*Lawrence E. Phillips*

Lawrence E. Phillips

Unterberg Harris

encl.

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1919 M Street, Room 222  
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RE: ET Docket No. 93-266, PP Docket No. 93-253 ✓  
Ex Parte Presentation

Dear Mr. Caton:

As a member of the high technology investment community, I write in support the Pioneer's Preference program. The prospect of your rescinding these grants, or retroactively reducing their economic value substantially, undermines investors' confidence in the FCC and will hinder prospects of other wireless entrepreneurs. I urge you to reconsider the current proposal calling for a retroactive charge to the Pioneers equal to 90% of the highest bid for a comparable license.

I am a banker at Unterberg Harris, an investment bank, financial advisory and venture capital firm focused on the computer and communications industries. In my position, I have become acquainted with hundreds of emerging technology companies and have helped finance and advise those that we view as having a fundamentally attractive product or service offering and superior growth prospects. Furthermore, I interact daily with venture capitalists, investment managers and other professionals who also have substantial influence in promoting the growth of technology businesses through raising capital or investing their own.

I have witnessed broad and dramatic growth in entrepreneurial activity as well as awareness, interest and investment recently in the wireless communications sector. This activity will help spur future investment and job-creation and will enable consumers to benefit more quickly with cost-effective access to products and services such as PCS devices. In my view, shifts in FCC policy, such as retroactive rules changes which substantially alter the economics of to investors, send a negative signal to the investment community. Such actions are likely to deter the entry of new wireless businesses (especially the so-called "designated entity" businesses) by making the capital raising for such businesses problematic.

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Mr. William F. Caton  
July 21, 1994

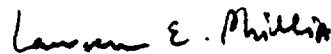
At this stage, while it appears that a politically satisfactory resolution of the Pioneers Preference dispute will require the Pioneers to make payments of some nature, there is limited logical basis for the 90% proposal being contemplated. By choosing only a 10% discount off the highest comparable bid, a Pioneer would be paying more than a small business designated entity which has risked nothing. Indeed, some "small businesses" which have substantial equity backing from large companies that did not innovate might still receive a 40% discount to the normal bid price so that, effectively, Pioneers would be paying 50% more. Moreover, a discount essentially equates the value of the high-risk capital successfully deployed by the Pioneers with the value of the not-yet committed capital of an auction bidder. From an investor's standpoint, this is not a legitimate comparison.

You should consider an alternative methodology for deriving award payments from the Pioneers which does not include such a large up front or fixed payment. A few of the Pioneers are apparently willing to forego future profits in proposing the royalty-based payments which undoubtedly would enable competitors to compete on price and cost more effectively. The most appropriate payment method perhaps should involve an intersection of alternatives. In any event, it should not necessitate substantial fixed payment which would have deterred, and would in the future deter, market entry of many of the most capable entrepreneurs like the Pioneers.

Neither I nor my firm, Unterberg Harris, has any affiliation whatsoever with any of the companies that have been awarded tentative Pioneer's Preferences. I am merely an interested observer from my position within the high technology investment banking community.

In accordance with Section 1.1206(a)(1) of the Commission's rules, I am submitting to you two copies of this letter for inclusion in the public record of the above-referenced dockets.

Sincerely,



Lawrence E. Phillips  
Unterberg Harris

cc (by hand delivery):

Chairman Reed Hundt  
Commissioner James Quello  
Commissioner Andrew Barrett  
Commissioner Susan Ness  
Commissioner Rachelle Chong  
William Kennard, Esq.  
Dr. Robert Pepper  
Mr. Donald Gips